

PHILIP MORRIS U.S.A.
Military Sales

INTER-OFFICE CORRESPONDENCE
120 Park Ave. New York, NY 10017

To: Jacquie Gilbert
From: Mike Madden
Subject: Hawaiian Isles Distributors

Date: 4/10/97

*I agree
JMG*

Jacquie:

Attached is a letter from Hawaiian Isles Distributors to Rick Stirlen informing him that they intend to terminate our broker relationship for Military accounts in Hawaii. The letter is a 90 day notice, with an effective date of May 9, 1997.

I have also attached a copy of the agreement with Hawaiian Isles. It states that the agreement is automatically renewed each year (January 01) unless Hawaiian Isles notifies PM in writing 60 days (November 01) prior to the expiration date. Our understanding is that, contractually, Hawaiian Isles is obligated to service us through the end of 1997 unless PM notifies them of a termination.

We like to respond by reminding them of this agreement. Rick will be forwarding his response for your review, however, we felt it appropriate to update you on this situation.

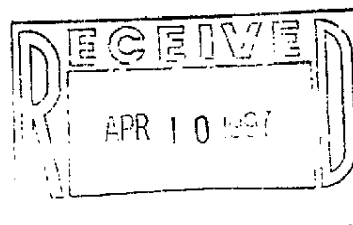
We recognize that immediate attention is needed to begin to seek alternative methods to service the Military in Hawaii.

Sincerely,

Mike

Mike

cc. J. Murphy
B. Russell
B. Schuyler
R. Stirlen



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